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FISCAL IMPACT REPORT

SPONSOR: Cisneros DATE TYPED: 2/6/03 HB _____

SHORT TITLE: Reduce Income Tax Rates SB 167/aSFI

ANALYST: Smith

REVENUE

Estimated Revenue				Recurring or Non-Rec	Fund Affected
FY04	FY05	FY06	FY07		
(17,110.0)	(56,909.0)	(151,058.0)	(299,293.0)	Recurring	Rate Cut
(4,176.0)	(10,297.0)	(15,622.0)	(25,844.0)	Recurring	Capital Gains Cut
(21,286.0)	(67,206.0)	(166,680.0)	(325,137.0)	Recurring	Total General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB167

SOURCES OF INFORMATION

Responses Received From

TRD

SUMMARY

Synopsis of SFI Amendment

The Senate Floor amendments are largely technical in nature. They changes the timeline for the payment of interest on income tax refunds from 75 days to 55 days from the date of the claim. The amendments should have a negligible fiscal impact.

Synopsis of Original Bill

This measure would reduce New Mexico's highest personal income tax rates from their current maximum of 8.2 percent to the following rates:

- In tax year 2003: 7.7%;
- In tax year 2004: 7.0%;
- In tax year 2005: 6.0%; and
- In tax year 2006 and after: 5.0%.

Beginning in tax year 2003, taxpayers would be able to deduct *the greater of* \$1,000 or the following percentage of their net capital gain income:

- In tax year 2003: 10%;
- In tax year 2004: 20%;
- In tax year 2005: 30%; and
- In tax years 2006 and after: 50%.

Significant Issues

TRD has supplied the following rate tables.

Current and Proposed Personal Income Tax Rates

Current Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
7.1	40,001	64,000	26,001	42,000	20,001	32,000	33,001	53,000
7.9	64,001	100,000	42,001	65,000	32,001	50,000	53,001	83,000
8.2	101,000	& above	65,001	& above	50,001	& above	83,001	& above

Proposed Tax Year 2003 Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
7.1	40,001	64,000	26,001	42,000	20,001	32,000	33,001	53,000
7.7	64,001	& above	42,001	& above	32,001	& above	53,001	& above

Proposed Tax Year 2004 Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
7	40,001	& above	26,001	& above	20,001	& above	33,001	& above

Proposed	Joint	Single	Separate	Head of Household
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0 to 8,000	2.0	2.0	(0.0)	2.1	2.1	0.0	2.2	2.2	(0.0)	2.3	2.3	(0.0)
8,001 to 16,000	9.4	9.4	(0.0)	10.0	10.0	0.0	10.7	10.7	(0.0)	11.5	11.5	(0.0)
16,001 to 24,000	18.2	18.2	(0.0)	19.6	19.6	0.0	21.0	21.0	(0.0)	22.6	22.6	(0.0)
24,001 to 40,000	76.2	76.2	(0.0)	81.4	81.4	(0.0)	86.9	86.9	(0.0)	92.9	82.8	(10.2)
40,001 to 64,000	159.2	159.1	(0.0)	169.3	167.9	(1.4)	179.7	167.4	(12.3)	191.2	153.8	(37.4)
64,001 to 100,000	165.9	164.5	(1.4)	175.7	167.7	(8.0)	185.7	159.5	(26.3)	196.7	143.9	(52.8)
100,001 and over	291.7	280.4	(11.3)	306.4	273.5	(32.9)	321.5	250.6	(70.9)	337.8	221.4	(116.4)
Total	722.5	709.8	(12.7)	764.4	722.1	(42.3)	807.8	696.6	(111.2)	855.1	638.4	(216.8)
Single												
Taxable Income (\$)												
0 to 5,500	5.6	5.6	(0.0)	5.9	5.9	0.0	6.3	6.3	0.0	6.7	6.7	-
5,500 to 11,000	19.5	19.5	(0.0)	20.9	20.9	0.0	22.4	22.4	0.0	24.2	24.2	0.0
11,000 to 16,000	27.9	27.9	(0.0)	29.8	29.8	(0.0)	31.8	31.8	(0.0)	34.1	34.1	0.0
16,000 to 26,000	57.1	57.1	(0.0)	60.8	60.8	(0.0)	64.7	60.5	(4.2)	68.9	52.9	(16.0)
26,000 to 42,000	47.2	47.2	0.0	50.0	47.8	(2.2)	52.9	45.9	(7.1)	56.2	41.5	(14.6)
42,000 to 65,000	27.2	26.3	(0.9)	28.7	26.4	(2.2)	30.2	24.6	(5.6)	31.9	22.0	(9.9)
65,000 and over	48.2	46.0	(2.2)	50.5	44.4	(6.1)	52.9	40.4	(12.5)	55.5	35.5	(20.0)
Total	232.7	229.5	(3.2)	246.8	236.1	(10.7)	261.3	231.9	(29.4)	277.4	216.8	(60.7)
Separate												
Taxable Income (\$)												
0 to 4,000	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
4,000 to 8,000	0.1	0.1	-	0.1	0.1	-	0.1	0.1	-	0.1	0.1	-
8,000 to 12,000	0.2	0.2	-	0.3	0.3	-	0.3	0.3	-	0.3	0.3	(0.0)
12,000 to 20,000	1.0	1.0	-	1.1	1.1	(0.0)	1.1	1.1	(0.0)	1.2	1.1	(0.1)
20,000 to 32,000	1.8	1.8	-	1.9	1.9	(0.0)	2.0	1.8	(0.1)	2.1	1.7	(0.4)
32,000 to 50,000	1.8	1.7	(0.0)	1.9	1.8	(0.1)	2.0	1.7	(0.3)	2.1	1.5	(0.6)
50,000 and over	6.3	6.0	(0.3)	6.6	5.8	(0.8)	6.9	5.3	(1.6)	7.2	4.6	(2.6)
Total	11.2	10.9	(0.3)	11.8	10.9	(0.9)	12.4	10.4	(2.1)	13.1	9.4	(3.7)
Head of Household												
Taxable Income (\$)												
0 to 7,000	1.7	1.7	(0.0)	1.8	1.8	0.0	1.9	1.9	(0.0)	2.0	2.0	(0.0)
7,000 to 14,000	4.7	4.7	(0.0)	5.0	5.0	0.0	5.3	5.3	(0.0)	5.7	5.7	(0.0)
14,000 to 20,000	6.0	6.0	(0.0)	6.5	6.5	0.0	7.0	7.0	(0.0)	7.5	7.5	(0.0)
20,000 to 33,000	11.5	11.5	(0.0)	12.3	12.3	(0.0)	13.1	13.1	0.0	14.0	12.6	(1.4)
33,000 to 53,000	12.3	12.3	(0.0)	13.1	13.0	(0.1)	13.9	12.9	(1.0)	14.8	11.9	(2.8)
53,000 to 83,000	7.2	7.1	(0.1)	7.6	7.2	(0.3)	8.0	6.9	(1.1)	8.5	6.2	(2.3)
83,000 and over	10.3	9.9	(0.4)	10.8	9.6	(1.2)	11.4	8.8	(2.6)	11.9	7.8	(4.2)
Total	53.6	53.1	(0.5)	57.0	55.4	(1.6)	60.6	55.8	(4.8)	64.4	53.6	(10.9)

Additionally, TRD has provided analogous tables for the capital gains tax reduction.

Estimated Distributional Impacts of the Capital Gains Proposal For Selected Years:

Tax Year 2003

Adjusted Gross Income		Net Capital Gains	Increased Deductions	Decreased Tax Liability
		(millions)	(millions)	(thousands)
\$0 or Less	\$10,000	\$22.3	\$0.0	\$0.0
\$10,000	\$20,000	\$15.0	\$0.0	\$0.0
\$20,000	\$30,000	\$17.9	\$0.0	\$0.0

\$30,000	\$50,000	\$45.0	\$0.0	\$0.0
\$50,000	\$75,000	\$70.1	\$0.0	\$0.0
\$75,000	\$100,000	\$70.1	\$1.9	\$129
\$100,000	\$150,000	\$104.6	\$4.9	\$349
\$150,000	\$200,000	\$69.5	\$4.5	\$314
\$200,000	Over	\$541.5	\$48.0	\$3,384
	Total	\$956.1	\$59.3	\$4,176

Tax Year 2006

Adjusted Gross Income		Net Capital Gains	Increased Deductions	Decreased Tax Liability
		(millions)	(millions)	(thousands)
\$0 or Less	\$10,000	\$28.3	\$10.6	\$159
\$10,000	\$20,000	\$19.1	\$5.3	\$92.3
\$20,000	\$30,000	\$22.8	\$7.2	\$217
\$30,000	\$50,000	\$57.1	\$20.6	\$874
\$50,000	\$75,000	\$89.1	\$35.3	\$1,596
\$75,000	\$100,000	\$89.1	\$38.0	\$1,779
\$100,000	\$150,000	\$132.9	\$59.4	\$2,876
\$150,000	\$200,000	\$88.3	\$41.0	\$1,983
\$200,000	Over	\$688.0	\$336.2	\$16,267
	Total	\$1,214.7	\$553.6	\$25,844

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